

17 January 1973

MEMORANDUM FOR: Director of Central Intelligence

SUBJECT: Andy Marshall and the Energy Crisis

I am attaching Marshall's memorandum on the energy crisis, as I mentioned at today's morning meeting. I will let him know today that there is a National Estimate pending on this subject and suggest that his meeting with the production people out here be postponed until he has had a chance to read the estimate.

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Bronson Tweedy  
D/DCI/IC

cc: DDCI  
ExDir-Comp.  
D/ONE  
DDI  
DD/S&T  
C/PRG/IC ✓

Attachment - SECRET

NSC review(s) completed.

NATIONAL SECURITY COUNCIL  
WASHINGTON, D.C. 20506

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January 16, 1974

MEMORANDUM FOR BRONSON TWEEDY

FROM: A. W. Marshall *AWM*

SUBJECT: Some Interesting Aspects of the Energy Crisis

As you know, there is a good deal of interest and activity around town concerning the energy crisis. I am concerned that some aspects of the crisis that have important bearing on our national security may not be getting enough attention. Attached is a memorandum which expresses my view and raises a number of questions. I would appreciate it if you would circulate the memo to those in the Agency who may be working on the answers to some of the questions. Then I would like to discuss with these people the following questions:

-- What is the current state of information on the question raised in my memorandum for the record?

-- What are future prospects for adequate information? In particular, if an effort were launched to study the national security aspects of the energy crisis in the next few months, what data can be made available?

My general objectives are to make a survey of the state of information and work already going on, to build up a file of materials already available, and to discuss how best to make progress towards answers.

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January 16, 1973

MEMORANDUM FOR THE RECORD

SUBJECT: National Security Implications of the Energy Crisis

For a number of reasons the energy crisis has become one of the hottest topics in town. Studies of the matter have been or are being done by State, Defense (various branches), OEP, CIA, CIEP, Interior, and Senator Jackson's Committee on Interior and Insular Affairs. The energy problem is very complicated; it has multiple aspects; and those studying the problem have differing interests and perspectives. Two results of this which should be noted are:

-- There is no attempt being made to coordinate U.S. policy on the energy crisis.

-- The national security implications of the energy crisis are ill-defined and poorly understood.

THE PROBLEM

World demand for energy is growing extremely rapidly. It will increase by more than 50% by 1980, and more than 100% by 1990. U.S. demand follows this trend, and is expected to double by 1985. The dimensions of this problem emerge if you consider that all the facilities in the world for producing and consuming energy will double in about the next fifteen years. An important effect of this is that major user nations, except the USSR, are becoming less and less self-sufficient in energy resources. About half the increase in energy consumed in the coming fifteen to twenty years will have to come from oil, and the USSR is the only developed nation with adequate resources to meet its own demand. The rest of the increase in oil consumption will have to come from the Middle East.

Increased dependence upon Middle Eastern oil gives the states in that area a lot of political and economic clout they are otherwise not entitled to enjoy. They are rapidly doing away with old arrangements with various western oil companies, eyeing new arrangements, and con-

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sidering what to do with the large balance of payments surpluses they are accumulating. If we could rely upon these states to act in a reasonable way in the future, the energy crisis would be reduced to a rather severe balance of payments and energy distribution problem. But the recent history of the Middle East leads us to expect turbulence and internationally irresponsible behavior from its states. At the extreme, if they combine in some way and attempt to make use of their control of critical oil resources to blackmail or coerce us or our allies, an extremely serious situation would be created. It is this that makes the energy situation at least potentially a political, and perhaps the trigger of a military, crisis.

#### STATUS OF STUDIES

Previous studies of the energy crisis have tended to concentrate on what the U.S. can do to reduce our own dependence on Middle Eastern oil. There are a number of things that we can do, ranging from exploitation of Canadian tar sands and U.S. oil shale, to energy conservation through direct regulation, price controls, and tax incentives. There is a critical time around 1980, during which we will be dependent on Middle Eastern oil no matter what we do. But beyond that we can, by concerted effort, establish a reasonable degree of self-sufficiency.

Japan and our NATO allies, however, do not have the options that we have for reducing dependence on imported oil. Conditions of increased competition for scarce energy resources could severely affect their perceived interests, the international climate, and our structure of alliances. Further, it is not clear how they would behave if posed a severe threat to their vital energy supplies by one or more Middle Eastern nations. They might manifest types of behavior we presently regard as bad form in international affairs. There are a number of historical precedents. Embargo of Japanese oil supplies precipitated their attack upon us in 1941. Apprehension about the role of the Suez Canal in their energy supply led Britain and France to join Israel in the 1956 attack upon Egypt. In the future, for example, if two million Libyans pursue policies that threaten the heat, light, and economic well-being of two hundred million Europeans, the Libyans may find themselves in a war they have little prospect of winning. As a complicating factor, there is the question of what role the USSR will play in these affairs.

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PROPOSED NET ASSESSMENT

Clearly, then, from the viewpoint of national security, the really crucial question is what effect the energy crisis will have on the behavior of major actors on the international scene. And this point has not received adequate attention. Some key questions are:

-- What will be the energy and economic positions of all major actors (U.S., USSR, NATO nations, Eastern Europe, Middle East, Japan). What will be the trends in the 1970's?

-- How will the producer nations really behave? Will they form alliances and prosecute "irresponsible" policies? Or will they be amenable to reason and economic persuasion? How much leverage will they have? What constraints are likely because of alternative energy sources available at higher prices, the prospects of new technology in the future, etc.?

-- How will Japan and our NATO allies act under various kinds of behavior from producer nations? What threats are posed for our own pattern of alliances? Are there conditions which could cause Japan or Western European nations to take military action against one or more producer countries?

-- How strong will the Soviet energy position be? What will be the trends in their position? What role will the USSR choose to play? Exploiter of divisions in our alliances? Guarantor of security for producer nations?

-- What can be done to mitigate the balance of payments effects brought about by the seller's market in Middle Eastern oil? Can this be tied to a scheme to provide producer nations an incentive to maintain flow to user nations in our own camp?

In examining these questions, a number of areas for study suggest themselves:

-- The political structures and behavior of producer nations.

-- The relations between producer nations and various user nations, the USSR, and other producer nations.

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- User nation's perceptions of the energy crisis.
- The expected position of the USSR (net importer or exporter, continued supplier to Eastern Europe, etc.).

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